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OIL SITUATION REPORT NO. 16 FROM STATE DEPT OPERATIONS CENTER.

SITUATION REPORT 16 AS OF 1500 HOURS, EST, JAN 29, 1971

1. COMPANY NEGOTIATIONS IN LIBYA AND USG TACTICS

WE HAVE INFORMED TRIPOLI THAT WE AGREE THAT IT IS ESSENTIAL FOR THE COMPANIES TO DISCUSS THE FULL RANGE OF LIBYAN DEMANDS. THEY WILL PROBABLY DO SO ANYWAY. AT THE SAME TIME, WE EXPECT THE COMPANIES TO RESIST AS LONG AS POSSIBLE GIVING IN TO LIBYAN DEMANDS WHICH APPEAR TO BE INCOMPATIBLE WITH AN EVENTUAL PERSIAN GULF SETTLEMENT.

WE HAVE ADVISED TRIPOLI THAT IT IS PREFERABLE IN OUR VIEW NOW FOR THE USG TO STEP BACK AND LET NEGOTIATIONS TAKE THEIR COURSE. [redacted] B1

2. GERMAN AND EC VIEWS ON TEHRAN NEGOTIATIONS

ECONOMICS MINISTRY OFFICIALS IN BONN EXPRESSED TO AN OFFICER OF OUR EMBASSY THEIR PERSONAL BELIEF THAT THE OIL COMPANIES' 15 CENT/BBL POSTED PRICE INCREASE PROPOSAL WOULD NOT BE ACCEPTABLE TO OPEC. ECONMIN DEP. ASST. SEC. KLING AND OFFICE DIRECTOR PLESSER GAVE THEIR VIEWS OF THE EC ENERGY MEETING IN BRUSSELS ON 1/27/71, STATING IT WAS THEIR IMPRESSION [redacted] B1

IT WAS THE CONSENSUS OF THE MEETING THAT THE EC SHOULD NOT TAKE ITS OWN ACTION BUT CONTINUE TO COORDINATE WITHIN THE OECD. IT WAS AGREED THAT EC MEMBERS SHOULD KEEP EACH OTHER INFORMED AND STAY IN TOUCH FOR HANDLING ANY SERIOUS CRISES THAT MIGHT DEVELOP.

KLING AND PLESSER WERE TO CONSULT ON JAN 28 WITH GERMAN NATIONAL SUPPLY COMMITTEE WHICH INCLUDES REFINERY REPRESENTATIVES. KLING SAID THE FRG WAS DOING ITS BEST TO PREPARE. [redacted] B1

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[redacted]

3. PERSIAN GULF AND LIBYA NEGOTIATIONS

NO FURTHER INFO IS PRESENTLY AVAILABLE.

4. CONTRARY TO PREVIOUS REPORTS, WE HAVE BEEN ASSURED THAT THE ARABIAN OIL COMPANY (JAPANESE) DID NOT SIGN THE OIL INDUSTRY LETTER TO OPEC, ALTHOUGH A REPRESENTATIVE OF THE COMPANY ATTENDED THE LONDON OIL INDUSTRY MEETINGS AS AN OBSERVER. ROGERS

[redacted]

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